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## LOTTERY REVENUES AND EXPENDITURES FOR FY 2005



**FY 2005 Rev./Expenditures** Through June, FY 2005 Lottery game revenues increased \$1.1 million from the FY 2004 level. Lottery prize expenses decreased \$1.0 million, operating expenses increased \$5.3 million, and transfers to other State funds decreased \$4.5 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

### STATE LOTTERY

July Through June  
(Dollars in millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>Increase/ Decrease</u>	<u>% Increase</u>
Fiscal Year Beginning Balance	\$ 1.8	\$ 1.4	\$ -0.4	
Game Revenues	\$ 209.9	\$ 211.0	\$ 1.1	0.5%
Interest	0.5	0.3	-0.2	-43.1%
Total Revenue	<u>\$ 210.4</u>	<u>\$ 211.3</u>	<u>\$ 0.9</u>	<u>0.4%</u>
Prize Expense	\$ 114.5	\$ 113.5	\$ -1.0	-0.9%
Operating Expense	40.6	45.9	5.3	13.0%
Transfer of Profits	55.8	51.2	-4.5	-8.2%
Total Expense	<u>\$ 210.8</u>	<u>\$ 210.5</u>	<u>\$ -0.3</u>	<u>-0.1%</u>
June Ending Balance	<u>\$ 1.4</u>	<u>\$ 2.2</u>	<u>\$ 0.8</u>	



**Comparison to FY 2004** Fiscal year sales through June, compared to the same time period in FY 2004, were as follows:


- Instant ticket sales increased by \$8.0 million (8.4%).
- Pick 3 sales decreased by \$134,000 (2.1%).
- Multi-State Powerball sales decreased by \$11.7 million (17.8%).
- Hot Lotto sales increased by \$2.7 million (35.3%).
- Freeplay Replay sales decreased by \$77,000 (100.0%).
- Pick 4 sales increased \$380,000 (22.9%)
- Daily Game sales decreased by \$3,000 (0.1%).
- Pull-tab sales decreased by \$1.9 million (7.5%).

**Ticket Sales** Total FY 2005 Lottery sales were \$211.0 million, an increase of \$1.1 million (0.5%) compared to FY 2004. FY 2005 sales for Instant Tickets, Hot Lotto, and Pick 4, were above sales for FY 2004.



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**Touch Play Machine Sales** Ticket sales through Monitor Vending Machines began in May 2003, on a trial basis. Monitor Vending Machines had sales through June 2005 of \$1.3 million. Touch Play has replaced Monitor Vending Machines. The sales amount reported for Touch Play is the amount left after the payment of prizes. Touch Play had net sales through June of \$6.4 million.




**Estimated Transfers** The April 8 Revenue Estimating Conference (REC) projected FY 2005 Lottery profit transfers to the General Fund would total \$53.1 million. Actual General Fund transfers for FY 2005 were \$50.2 million. Therefore, the REC estimated General Fund Lottery transfers would be \$2.0 million (3.6%) lower in FY 2005 than in FY 2004. Through June, fiscal year transfers to the General Fund were \$5.0 million (9.0%) below FY 2004 and \$2.9 million (5.5%) below the REC estimate for FY 2005.

The Revenue Estimating Conference (REC) projected FY 2006 Lottery profit transfers to the General Fund will total \$58.4 million at the April 8 meeting. Therefore, the REC is currently estimating General Fund Lottery transfers will be \$8.2 million (16.3%) higher in FY 2006 than in FY 2005.

House File 655 (FY 2004 Administration and Regulation Appropriations Act) required the Lottery to deduct \$500,000 from calculated retained earnings before making Lottery proceeds transfers to the General Fund during FY 2004. This was a continuation from FY 2003 and the impact was a one-time increased transfer of \$500,000 during FY 2003. The requirement was not continued for FY 2005, resulting in a one-time decreased transfer of \$500,000 during FY 2005.

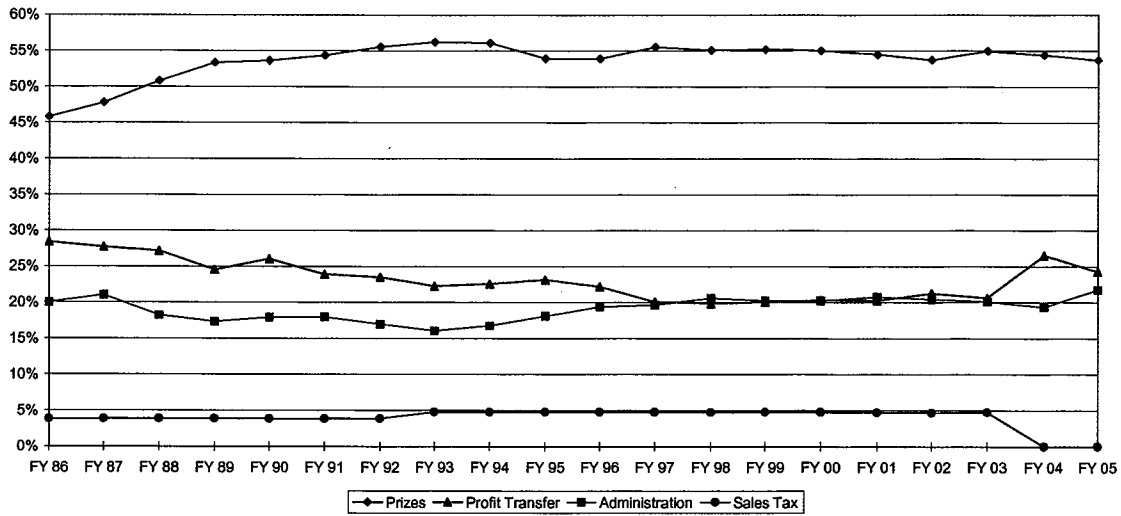
**Unclaimed Prizes** The proceeds transfers for FY 2004 included \$840,000 from unclaimed Free Play Replay prizes and \$498,000 from unclaimed Powerball prizes.



**Expenditures** The following chart shows what happened to an average dollar expended on a lottery ticket in Iowa. For FY 2005, 53.7% was returned to the players as prizes, 21.7% was used to administer the lottery (including retailer and vendor compensation), 4.6% was transferred to the State as sales tax, and 24.2% was transferred to the State as profit. Percentages do not add to 100.0% due to changes in the Lottery's ending balance. Sales tax transfers do not equal 5.0% due to the inclusion of interest and fees in the revenue amounts. The 2003 legislation that transformed the Iowa Lottery into the Iowa Lottery Authority also mandated that as of July 1, 2003, the Lottery no longer classifies a portion of its proceeds as sales tax.

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Lottery Expenditures as a Percent of Revenue



**More Information**  
request.

Additional information is available from the LSA upon request.

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